

Management Comments

To the Honorable Board of County Commissioners
Leon County, Florida

We have audited the special-purpose financial statements of the Board of County Commissioners of Leon County, Florida (the "Board"), as of and for the fiscal year ended September 30, 2002, and have issued our report thereon dated February 7, 2003.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* and any amendments thereto, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the Board of County Commissioners of Leon County, Florida, for the year ended September 30, 2002, we considered the internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our report on compliance and on internal control over financial reporting, concerning significant matters, which have come to our attention in the course of our audit, has been presented in a separate letter dated February 7, 2003. The purpose of this section is to recommend procedures that we feel will improve the efficiency of present accounting systems and to disclose other items as required by the Rules of the Auditor General, State of Florida.

Prior Year's Findings and Recommendations

The current status of the prior year's recommendations is presented below.
Evaluate the efficiency of the system in place to monitor compliance with grant reporting and compliance requirements.

In the prior year audit, we recommended that all programmatic and financial reports be submitted in accordance with the contract terms. Of the specific grants we referred to in the prior year, the Chaires/Capitola Project Status Report had not been filed as of September 30, 2002, however, the proper reports were filed subsequent to September 30, 2002. The final Financial Status Report for the CAP funds was submitted in December 2001. During the current year we noted the grant receivable for the *Lake Munson Grant* has been outstanding for over two years and not reimbursed due to failure to file the final report for the grant. Subsequent to September 30, 2002, we noted the final report was ultimately filed and reimbursement is expected.

To increase the level of Leon County's compliance with contract/grants, our prior year management letter included a recommendation that a system for monitoring the required reports, due dates, status and actual report submissions should be developed and that the Leon County's contract/grant coordinator be ultimately responsible for oversight of this process. Such a system was not implemented during the September 30, 2002 fiscal year. Our recommendation is therefore, repeated in this letter.

Management's Response

Leon County implemented a notification system to divisions responsible for filling grant reports. Although divisions were notified, the process was done so without providing measures for enforcement in the event of noncompliance. Leon County will reevaluate and revise the current process to ensure compliance.

Current Year Findings and Recommendations

Develop a database to timely track and file lien amendments related to the SHIP grant.

Currently, when SHIP funds are used to rehabilitate a home, a 5-year lien is placed on the home and 20% is excused per year. Leon County Housing Finance Authority does not annually amend the lien; instead, the entire lien is removed at the completion of the 5-year period and upon notification of the participant. Currently, the County does not maintain a database, which would track the loans, dates, and balances of the liens, and facilitate the timely amendment of the liens.

Additionally, we tested eleven SHIP participant files and noted the following:

- 2 files tested did not contain documentation of homeowner's insurance,
- 1 file tested did not contain a properly signed addendum to bid,
- 2 files tested did not contain a completed housing rehabilitation note and mortgage agreement.

We recommend that a database be developed to track the loans and lien information and that liens be promptly removed at the end of the loan period. We further recommend that a system to review participant files be established to ensure that all participant files are accurate, complete and contain appropriate supporting documentation.

Management's Response

Staff agrees with this recommendation and a database has been established, and data entry is occurring. Since the performance of this audit, Housing Division staff has been in the process of reviewing all files and a system has been established to maintain accurate files.

At the end of March 2003, an Access database was designed for tracking each housing program, funding sources amounts, liens, dates and balances of the liens and timely amendment of the liens. Currently, staff is in the process of inputting the data into the database. A complete review of all files from the last 2 years is an on going effort. A system is now in place, since February 2003 to review files for accuracy and completeness prior to the final payment being disbursed to the contractor.

Monitor the accuracy and timely preparation of SHIP tracking reports.

Annual reports for each of the three allocation years in process are prepared by County staff and submitted to Florida Housing Finance Corporation by September 15th of each year. These reports contain summary demographic and financial information for the SHIP program and participants. As recommended by the Florida Housing Finance Corporation, Leon County maintains tracking reports, which contain the demographic and financial information for the participants that support summary data on the annual reports. During our testing of the tracking reports, we noted the following:

In 5 participant files tested, information in the SHIP tracking report did not reconcile to the information in the participant's file. Information included on the tracking reports for the years ended June 30, 2000 and 2002 did not reconcile from page to page within the report. In several instances, information on the annual report for the year ended June 30, 2002, did not reconcile to the tracking report.

We recommend that the tracking report be updated throughout the year with accurate information supported by the participant's file. In addition, the tracking reports and annual reports should be reviewed for completeness and accuracy prior to submitting them to the Florida Housing Corporation.

Management's Response

Staff agrees with this recommendation. A procedure was put in place February 2003 for the SHIP tracking system to be updated weekly to reconcile with the information in the clients file. Also, the current housing staff, the Florida Housing Finance Corporation, and the Florida Housing Coalition has been working on a process to review SHIP annual reports for completeness and accuracy prior to submitting them to the Florida Housing Finance Corporation. (SHIP tracking program is separate, but part of the information that go into the SHIP report.)

Reconcile SHIP Grant Information to the Banner Accounting System

SHIP expenses are recorded in Banner, the Board's general ledger accounting system, and in the SHIP tracking report discussed above. However, since the information in Banner is not reconciled to the information in the SHIP tracking reports, there is a possibility that the SHIP reports do not contain complete expense information. In addition, in accordance with the Florida Single Audit Act and Chapter 10.550 of the Rules of the Auditor General, State of Florida, the expenditures for each SHIP allocation are to be reported in the schedule of expenditures of state financial assistance included in the annual financial statements. Although the total SHIP expenditures are identified, these expenditures are not reconciled to the grant information, and therefore, the expenses reported for each grant may not be accurate.

Management's Response

Staff agrees with this recommendation to establish a system whereby the accounting information in Banner can be reconciled to the grant and related information. The Access database as referenced in number 1 above, will serve as a form of reconciling the SHIP program information with Banner. Furthermore, the SHIP expenditure information for each allocation year will be included in the schedule of expenditures of state financial assistance as recommended.

Develop and implement procedures to provide appropriate accountability for deposits prepared by remote cash collection points.

During the testing of controls over cash receipts we noted many instances where deposits prepared by a remote cash collection point were not initialed by the preparer or the reviewer. The requirement for the preparer to initial the deposit serves as a deterrent to commit fraud and provide a method of accountability with respect to cash receipts. The presence of a reviewer's initials provides assurance to the finance department that the deposit has been properly prepared and coded and is ready for recording in the general ledger.

We recommend that a policy be developed to require the preparer of any deposit to initial and date the deposit slip. Where practical a policy should also be established to require that the deposit be reviewed for agreement to the daily cash receipt log and to require the reviewer to also initial and date the deposit slip. If the size of the staff for a specific cash collection point precludes the execution of such policies, the preparer of the deposit should forward the supporting documentation necessary for the Finance department to review the accuracy and completeness of the deposit.

Management's Response

The Clerk's Finance Department has hired a Treasury Manager that will be tasked with reviewing the cash controls for areas where cash is collected within the government. Where appropriate, recommendations to enhance the cash collection procedures will be made.

Restrict the External Investment Portfolio Manager's access to the operating account

During our testing of investments we learned that the County's external investment portfolio manager has the ability to directly access the County's operating account for the purpose of depositing and withdrawing funds related to investment transactions (i.e. purchases, proceeds from sales, and interest and dividends received). To reduce the likelihood of unauthorized use of funds and to limit transactions within the operating account to only those necessary for daily operations, *we recommend that a separate bank account be established for the external investment portfolio manager's use.*

Management's Response

Although funds to make investments came directly out of the County's operating account, the County's custodian on behalf of the County holds the proceeds relating to these transactions. As a result it is management's position that the County was not a risk as much as this finding may indicate.

However, Leon County's management believes it prudent to restrict the access of its accounts by the investment advisor. Effective immediately, a segregated account has been designated for Voyageur Asset Management to make investments on behalf of Leon County.

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The Rules of the Auditor General (Section 10.554(1)(g)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The name or official title and legal authority for the primary government and each component unit of the reporting entity is disclosed in Note 1 of Notes to the Financial Statements. The Leon County Housing Finance Authority, a component unit of Leon County, was authorized pursuant to Chapter 159, Part IV, of the Florida Statutes and was created by Leon County Ordinance 80-39.

The Rules of the Auditor General (Section 10.544(1)(g)1.b.) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit report have been followed. The status of recommendations made in the preceding annual financial audit report have been reported below under the heading Prior Year's Findings and Recommendations.

As required by the Rules of the Auditor General (Section 10.554(1)(g)2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the County complied with Section 218.415, Florida Statutes.

This management letter is intended solely for the information of Leon County, Florida and management, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Our audit did not disclose any further items required to be reported under the Rules of the Auditor General, Chapter 10.554(1)(g).